

# INDUSTRY UPDATE

Biweekly Period Ending October 20, 2001

## Phoenix Metro Area

### **Manufacturing**

Despite the economic downturn and recent terrorist attacks, with little fanfare **Intel Corp.** officially **opened** its **third fabrication plant in Chandler** (one of which is now closed) and 22<sup>nd</sup> overall in mid-October. The \$2 billion, 360,000-square-foot facility, which currently **employs 1,800 workers** (of which 1,000 are new), will make Pentium 4 microchips used in high-end desktop and laptop computers. Intel expects production of the first chips at Fab 22 to begin in November, with the plant reaching full production in 2003. It is the second fabrication facility (Fab 6 opened in 1996) on the 705-acre Ocotillo campus, Dobson Road and Ocotillo Boulevard. As part of the project, which took only 18 months to complete, two support facilities totaling 443,000 square feet were also constructed.

Bloodied from the **loss of 32,000 jobs since December** and facing its fourth-straight quarterly loss, Schaumburg, Ill.-based **Motorola Corp.** announced in mid-October plans to **eliminate** another **7,000 positions**. The new job cuts, however, may not be as bad as it appears because 4,000 of the positions are at Motorola's Integrated Information Systems Group in Scottsdale, which was recently sold to General Dynamics. And Virginia-based General Dynamics said it doesn't plan to eliminate those jobs. The **other 3,000 positions** will come through **attrition and layoffs across all operations worldwide**, although Motorola hasn't specified where and when the cuts will come. (For information on the effects of Valley-related Motorola cuts, see August and September issues of *Industry Update*).

### **Transportation, Communications, and Public Utilities**

**Global Crossing**, an international communications company, will **open** a state-of-the-art \$8 million **customer-support and research center in Ahwatukee** in November. Expected to **employ 200 people within two years** (and potentially expand to 400) in various high-tech jobs — **network engineers and operators; system programs and managers** — the 65,000-square-foot facility will provide customer service to corporate and government users of its 100,000-mile fiber-optic network that spans 27 countries. In addition, Global Crossing's operations center will develop and design "trade routes" for its broadband data network. **Some of this facility's workforce** will come from **existing Global Crossing operations** in Phoenix and others will come from out of state.

### **Trade**

Stores at **two new Valley malls** are having no trouble **filling about 6,000 sales and manager jobs**. **Chandler Fashion Center** (Loop 101 and Chandler Boulevard), which opened October 19<sup>th</sup>, **hired** about **3,500** workers for its 165 stores, while **Desert Ridge Marketplace** (Loop 101 and Tatum Boulevard), slated to open December 1<sup>st</sup>, has **filled most of 2,500 positions** for its 108 stores. Job fairs held earlier this year by the malls and the Department of Economic Security provided an easy way for retailers and job applicants to get together.

### **Services**

A **Phoenix provider of live Internet-based medical training classes** has **purchased** a **Chandler-based company** which produces

similar types of materials. Through acquisition of Learning Edge Inc., **EDT Learning Inc.** will acquire the Chandler company's award-winning presentation software and access to its high-profile clients (e.g., American Express, Motorola). EDT, which is **expected to keep 25 of Learning Edge's employees**, offers Webcast training to dental manufacturers, medical and pharmaceutical sales representatives, and others in the health-care field.

A small Valley high-tech company is shifting gears (and genes) because of the threat of bioterrorist attacks. Phoenix-based **Designer Genes Inc.**, a two-year-old company funded through venture capital, will use a process originally designed to detect cancer and other diseases to **detect viruses and bacteria**, such as anthrax and smallpox. The company's product, called RiboMax Path, is able to determine much quicker than a laboratory if a patient has one of these deadly diseases, thus potentially saving lives. In addition, Designer Genes currently has a **grant from the Army to create vaccines for biological agents**. With less than 10 employees, **biological-testing companies** such as this firm are likely to see **significant increases in employment** based on an industry that is growing 30 percent to 50 percent annually.

### **Government**

Many of the **laid off high-tech workers** in the **east Valley** are applying for work as **teachers and administrative staff** for school systems, according to a story in the *East Valley Tribune*. Several school districts in eastern Maricopa County are seeing a surge in applications — up 10-fold for some jobs. Passage of Proposition 301 last November, which increased pay for school teachers and staff, as well as rising unemployment in the Valley, are credited with creating the rush of new job seekers.

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### **Tucson Metro Area**

#### **Manufacturing**

**Two Tucson machine shops** have **eliminated positions** or **postponed the hiring of new workers** due to the weakened economy. **Competitive Engineering**, which makes parts for the aerospace and electronics industries, has **laid off** about **one-third** of its **workforce of 150**, while 20-year-old **Accurate Products Co.** has **delayed** for several years adding **a number of positions** to its staff of 40.

#### **Transportation, Communications, and Public Utilities**

Pending regulatory approval, **Tucson Electric Power** (TEP) expects to begin **construction** of a natural gas-fired **power plant** near **Interstate 10 and Rita Road** by the **end of the year**. TEP expects the **Vail Generation Station**, which will produce 150 megawatts of power (enough for 150,000 people), will be **completed in late 2003**.

#### **Services**

One industry apparently immune to terrorist events and a sluggish economy — at least in Pima County — has been Indian gaming. In mid-October, the **Pascua Yaqui Tribe** **opened a \$65 million casino, restaurant, and 4,400-seat amphitheater** as the first of two phases of development on tribal land about seven miles southwest of downtown Tucson. This **followed** on the heels of the opening in July of the **Tohono O'odham's new Desert Diamond Casino**, 15 miles west of Tucson. The **second phase** of the **Pascua Yaqui's casino/resort project**, which is expected to **open in a year**, will **include a bowling alley, bingo hall, and nightclub**. An article in *The Arizona Republic* reported that a few weeks after the terrorist attacks, gambling at Arizona's 21 Indian casinos, which depend primarily on local residents, was returning back to normal. That differs from reports about an ailing Las Vegas, which is dependent on out-of-state tourists to keep the entertainment and gambling mecca profitable.

Tucson's **two Level 1 trauma centers** are on life-support and, without financial assistance,

could be out of business by the end of 2001. **University Medical Center** and the **Tucson Medical Center**, which are losing a combined \$5 million a year, provide around-the-clock access to a variety of emergency services, such as plastic and vascular surgery. A **study** by one of the two trauma centers — which handle cases from the public as well as nearby military bases — said it would need an **additional \$3.5 million to operate next year**, including funds to **purchase more intensive-care beds and operating rooms and to hire additional nurses**. Combined with the Phoenix metro area's five facilities, the state has seven Level 1 trauma centers, which lose more than \$9 million annually and treat more than 14,000 patients.

### **Government**

Partially a victim of the state's \$1.6 billion deficit, **Arizona International College (AIC)** will **close its doors** after the school's 417 students have completed their studies. A small liberal arts school started as an extension of the University of Arizona, Arizona International was likely to have gone by the wayside in the near future because only 24 students have graduated in the six years of the school's existence. The school, which **employs faculty of 20** and a **staff of four**, operates on UofA's campus.

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### **Balance of State**

#### **Manufacturing**

The **Prescott area** received a significant blow when a **maker of chemical carpet cleaners** said it plans to **close two local facilities and lay off 90 workers**. At one time contemplating expanding its operations in Prescott, the fortunes of **ProChem** changed in spring of 2000 when it was **acquired by Castle Rock Industries** of Englewood, Colo. Castle Rock, which will consolidate Prescott's manufacturing operations at its Denver-area plant, has offered to relocate workers where possible. Operations at **ProChem's headquarters and**

**manufacturing facility in Chandler**, where it employs 65, **will not be affected** by the Prescott closure.

### **Finance, Insurance, and Real Estate**

The **Arizona State Parks Board** voted 5-1 to **acquire property** adjacent to Kartchner Caverns State Park near Benson that was **slated for a \$40 million resort**. Fears that building of the proposed **Whetstone Springs Resort** on 180 acres off of State Route 90 **could endanger Kartchner Caverns' fragile ecosystem**, drove the board to offer to purchase the property for \$1 million or exercise eminent domain if the developer, Helmut Horn of Coastal Hotels Group, refuses to sell the property. Horn, who had received approval for the project from the Benson Planning and Zoning Commission in July, was **planning a lodge with 216 villas, 128 casitas, spa, swimming pools, and tennis courts**.

**Downey Savings & Loan** of Newport Beach, Calif., will **open its first two branches in Arizona in Bullhead City and Kingman**. With \$11 billion in assets, Downey Savings & Loan has 133 branches in California. Information on expected opening dates or employment information was not available.

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## **INDUSTRY UPDATE**

*Industry Update* is produced biweekly as a stand-alone publication and quarterly as part of *Arizona Economic Trends* by the Arizona Department of Economic Security, Research Administration. *Industry Update* is a compilation of public announcements and articles from newspapers and periodicals about business events significant to Arizona labor markets. Due to space limitations, however, an exhaustive list of industry news is not feasible. In addition, DES, Research Administration is not responsible for incorrect information reported by these sources. For more information, contact DES, Research Administration by writing to 1789 W. Jefferson St., Site Code 733A, Phoenix, AZ 85007, or calling (602) 542-3871.

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## **Statewide**

### ***Manufacturing***

As fallout from the terrorist attacks, a company that provides pre-packaged meals for airlines has **laid off 175** of its 586 **Arizona employees**. **LSG Sky Chefs** let go 30 percent of its U.S. workforce, or 4,800 employees, in late September. A cutback in food service on airlines, in addition to severe reductions in flights, caused the layoffs. About 450 of Sky Chef's employees work in the Phoenix metro area.